Should You Buy the Dip in These 2 Cannabis Stocks in November?

Description

Cannabis stocks absorbed a major hit, as legalization coincided with a global stock market sell-off. Canadian stocks had bounced back marginally as of close on October 25, but a chaotic roll-out has some investors spooked.

Many cannabis stores are already wrestling with supply issues. The Ontario Cannabis Store (OSC) has been poorly received after failing to promptly deliver online orders in the days following legalization. A rotating strike from the Canada Post in select cities has also complicated matters.

From the beginning, experts and analysts had forecast a difficult start for the cannabis industry once recreational use became legal. Leaders at top producers like **Aphria** have also predicted that medium- and small-sized licensed producers could quickly buckle under the pressures of the roll out. Today, we are going to look at two companies that are not among the heavyweight producers. Shares of these companies have been battered in late September and October. Should investors pounce on a potential discount? Let's dive in.

HEXO (TSX:HEXO)

HEXO is a Quebec-based company that creates and distributes products to serve the cannabis market. Shares had dropped 28.6% month over month as of close on October 25. This came after a gigantic spike in late August and early September that saw HEXO stock surge to its 52-week high of $9.29.

HEXO received mainstream attention after it partnered with **Molson Coors Canada** to launch Truss, a line of non-alcoholic infused beverages. The cannabis-infused beverage and edibles market has huge potential in North America, but these products will not be legal in Canada until late 2019 at the earliest.

The company recently boasted that it has been able to successfully meet rising demand in Quebec, where sales of legal cannabis are controlled by the Quebec Cannabis Corporation, a subsidiary of the Quebec liquor and alcohol corporation. HEXO has stated that its annual production will ramp up to 108,000 annually next year. It remains one of the lowest-cost producers in the industry.

Green Organic Dutchman (TSX:TGOD)

Green Organic Dutchman stock has plunged 50.7% over the past month as of close on October 25. **Aurora Cannabis** boasts an ownership position that exceeds 10%, and it dumped 5.7 million shares between October 10 and 16, which brought its holdings to 33.8 million shares. Green Organic Dutchman has been plagued by construction delays and quickly became overpriced following its initial public offering back in May.

In October, Green Organic Dutchman revealed that it had received a medical sales licence from Health Canada and has also made progress with its international expansion into Latin America. A string of bad news has hurt Green Organic Dutchman, but the company still boasts over $355 million in cash and at full production capacity it is positioned to post revenues upwards of $1 billion by the start of the next decade.

The stock was nearing a 52-week low as of close on October 25. Investors on the hunt for bargains in the volatile cannabis sector should consider Green Organic Dutchman as a speculative addition in November.

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